

Message Text

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TO AMEMBASSY SANTIAGO IMMEDIATE

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EXDIS

E.O. 11652:XGDS

TAGS: BDIS

SUBJECT: ITT

FOR AMBASSADOR DAVIS FROM KARKASHIAN

FOLLOWING IS FYI UNCLEARED MEMCON AND SUBJECT TO REVISION.

1. DURING LUNCHEON BREAK IN AUGUST 17 BILATERAL TALKS, HEAD OF CHILEAN DELEGATION, EX-DEFENSE MINISTER TOHA, VOLUNTEERED THAT HE FELT OBLIGED TO INFORM U.S. DELEGATION THAT GOC IS DRAFTING NEW LEGISLATION FOR THE EXPROPRIATION OF ITT HOLDINGS IN CHILE (HE DID NOT INDICATE WHETHER LEGISLATION WOULD INCLUDE ITT HOLDINGS OTHER THAN CHILTELCO).

2. TOHA REVIEWED LITANY OF ALLEGED ITT WRONG-DOING IN CHILE AND ASSERTED THAT GIVEN "GRAVITY OF COMPANY'S ACTIONS" AND NATURE OF PUBLIC OPINION IN CHILE ON THIS SUBJECT, ITT COULD NOT BE DEALT WITH UNDER THE SAME CONDITIONS AS OTHER COMPANIES. HE ASSERTED HE HAD NO FURTHER DETAILS ON THE PROPOSED LEGISLATION AND ADDED THAT IN ANY CASE THE GOC INTENDED TO FORMALLY ADVISE THE USG OF ITS FORTHCOMING ACTION. HE CONFIDENTIAL

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SPECULATED THAT THE NEW DRAFT LAW, WHICH WILL REPLACE THE GOVERNMENT'S ORIGINAL PROPOSAL TO EXPROPRIATE ITT'S CHILTELCO HOLDINGS WOULD BE READY WITHIN 10-15 DAYS.

3. WHEN FORMAL DISCUSSIONS WERE RESUMED IN AFTERNOON

SESSION, ASSISTANT SECRETARY KUBISCH STATED THAT GIVEN THE POSSIBILITY OF PUNITIVE LEGISLATION BEING PRESENTED AGAINST ITT IN CHILE AS MENTIONED BY TOHA, HE FELT IT NECESSARY, IN THE SAME SPIRIT OF FRANKNESS UTILIZED BY TOHA, TO EXPRESS HIS GRAVE CONCERN IF THE PROPOSED LEGISLATION PROVED TO BE DISCRIMINATORY OR EX POST FACTO IN NATURE. KUBISCH ACKNOWLEDGED THAT THIS ISSUE POSED A SPECIAL PROBLEM FOR THE GOC BUT URGED THAT THE COMPANY BE AFFORDED FULL DUE PROCESS OF LAW IF ANY CHARGES WERE BROUGHT AGAINST IT AND EXPRESSED THE HOPE THAT NO ARBITRARY PENALTIES WOULD BE LEVIED AGAINST THE COMPANY IN ANY EXPROPRIATION PROCESS.

4. IN RESPONSE, TOHA REITERATED HIS EARLIER COMMENT CONCERNING THE GOC DECISION TO DEAL "DIFFERENTLY" WITH ITT BUT ADDED THAT THE PROPOSED LEGISLATION HAD NOT BEEN FORMALIZED AND THERE WAS NO WAY TO PREDICT WHAT ACTION THE CHILEAN CONGRESS MIGHT TAKE. HE STATED THAT HE BELIEVED IT IMPORTANT FOR THE U.S. SIDE TO BE INFORMED AS SOON AS POSSIBLE OF THIS PENDING DEVELOPMENT IN ORDER TO PREVENT A POSSIBLE "CONFLICTIVE" SITUATION FROM DEVELOPING LATER. HE ADDED THAT THE VIEWS EXPRESSED BY THE U.S. SIDE WOULD BE FAITHFULLY CONVEYED TO HIS GOVERNMENT.

5. KUBISCH ENDED THE DISCUSSION ON THIS SUBJECT BY NOTING THAT WE WOULD BE WATCHING WITH GREAT INTEREST WHAT HAPPENS IN CHILE WITH THE HOPE THAT DEVELOPMENTS THERE WILL NOT LEAD TO FURTHER DIFFICULTIES IN OUR BILATERAL RELATIONS. ROGERS

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